U. S. SENATE
Republican Policy Committee
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Senate Democrats' "Plan" — The Fred Astaire of Medicare

Senate Democrats unveiled on October 2 an ephemeral 21-page document, entitled the "Democratic Medicare Plan for the 21st Century." Presumably the "21st century" refers to the target completion date for the actual plan.

The "plan" they have outlined is the Fred Astaire of Medicare. Light on its feet and even lighter on its details, the "plan" dances around the hard decisions of the Medicare crisis in search of easy, look-good answers. It promises seniors everything, everything...except a Medicare system. The fact is: if you are 56 years old today, you will never see Medicare under the Democratic "plan" because it won't be around.

The Senate Democrats' proposal is short on solvency, short on specificity, short on veracity, short on credibility, and hard on seniors.

It contrasts sharply with the Senate Republican plan that spells out its details, has been reported out of committee, scored by CBO, and results in preserving the program for the next generation. It is based on increases not cuts: It **increases** the level of spending at twice the inflation rate, **increases** the level of beneficiary choice, **increases** the level of services, and most importantly, **increases** the program's solvency for the next generation of retirees.

The Problem with the Senate Democrats' Medicare Plan

This so-called plan has problems in four areas: its solvency, specificity, veracity and credibility.

SOLVENCY: Their "plan" **falls short of its own goal**, to "prepare Medicare for the long-run challenge of meeting the needs of the baby boom generation as that group begins to retire after 2010" [Senate Democrat Plan, p. 3].

- It is impossible to score. Simply put, there is no plan here.
  - **CBO could not score this "plan."** In order to discuss it, we have to rely on the estimation of the Democrat substitute offered as an amendment in the Finance Committee by Senator Moynihan, which also sought a quick-fix $89 billion adjustment.

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- It is interesting that Senate Democrats have followed their President's lead in abandoning his promise to use CBO as the official scorer — our own scorer in the case of Senate Democrats.

- They claim that the Chief Actuary of the Health Care Financing Administration (HCFA) has certified that their claimed *"$89 billion reduction in the rate of growth of Part A expenditures over the period 1996-2002 would extend the life of the Medicare Hospital Insurance Trust Fund for over a decade, through the fourth quarter of calendar year 2006"* [Senate Democrat Plan, p. 8].

  - This is simply meritless. There is no plan to promote this assertion and no evidence to support it.

    — The Part A trust fund is known to be **solvent through FY 2002** — the Trustees report stated this.

    — Even under their own make-believe scoring, at most, the Democrats could claim is a **four-year extension**.

    — However, according to CBO (which was good enough for Senate Democrats until October 2), the $89 billion figure only extends the trust fund through FY 2004 — **That's just TWO years, not TEN!**

    — In contrast, **our plan** — which has been introduced, put into legislative language, amended, passed by the committee, and scored by CBO — we know **takes the trust fund through FY 2005, which is as far as CBO will score**, and based on their estimates, the Senate Finance Committee feels confident our plan will take the trust fund through FY 2011 and possibly beyond (CBO is still preparing the final estimates on the Senate Finance package)..

    — That's beyond the FY 2010 deadline of the start of baby boomer retirement that the Senate Democrats propose but do not meet — even using their own estimates.

  - It is interesting that this $89 billion figure was **not accepted by the Clinton Administration itself**: its budget proposes $124 billion in savings, which is actually $192 billion under CBO's spending assumptions. The $89 billion figure is 40 percent (or over 100 percent, using CBO) short of the Clinton figure.

  - Why, if $89 billion is adequate, does the Medicare Trustees report show a Part A deficit of $107 billion as early as FY 2004?

- And, if this $89 billion figure would work, why are they so reluctant to provide any of the details necessary to substantiate it?

SPECIFICITY: The "plan" is no more than a 21-page **wish-list** of bromides and broadsides.

- It borrows what the Senate Finance plan earns with specific recommendations — the assertions without the substance.

- It is the press release without the plan, the rhetoric without the reform.

  - Even the authors admit this. On page 3, it reads: "Democrats are developing a proposal that will..."

    — Developing? This is **six months after** the Trustees report stated: "These projections clearly demonstrate that under a range of plausible economic and demographic assumptions the HI program is severely out of financial balance in the short range...In particular the trust fund is projected to become insolvent...The Trustees believe that prompt, effective, and decisive action is necessary."
    [Medicare Trustees Report, April 3, 1995, p.2,4]

    — The Democrats, effort hardly qualifies as "prompt," "decisive," or "effective."

- It relies on amorphous good-government phrases and devices, such as "case management techniques," "data compilation," "administrative cost reductions," "program efficiencies," "combating fraud and abuse," and — that favorite device of those who rely on: putting off until tomorrow what could be done today.

VERACITY: As the solvency issue points out, the Senate Democrats' "plan" simply **does not tell the truth.** And it does not stop there.

- Their "plan" constantly refers to addressing Medicare fraud. The Democrats should start with their own "plan," and what they say about our plan.

- No one else in Washington has put together a plan to rescue Medicare. There is not one from the Democrats, and not one from the Administration.

- You would think our Senate colleagues would have the decency to address our plan — they don't. Instead, they talk about fraud loopholes and attribute them to Republican plans. This is offensive.

- The Senate Finance plan is based on Senator Cohen's proposal, S. 1088, which has bipartisan support.

  - CBO scores our fraud provisions at $4.1 billion in savings. That is significant, not only because of the savings but because **CBO has never been willing to score savings until now** for fraud and abuse prevention.

  - That's how tough ours are; they:

    — Do not dilute the current anti-kickback law or create wide loopholes in current health care fraud statutes.

    — Do not weaken the civil monetary penalties or anti-kickback provisions of current law.

    — Do not discourage whistle blowers from disclosing health care fraud.

    — Do not put money resulting from its strengthened provisions to finance an anti-fraud investigative unit.

- Particularly egregious is their claim regarding premiums. They claim that seniors *"should not be asked to pay higher premiums..."* [Senate Democrat Plan, p. 18]. However, **their plan does and their President does as well.**

  - Under their plan, **premiums would go up** from $43.70 in 1996 to $60.80 in 2002 — even under the thoroughly irresponsible approach to let Medicare Part B premiums fall to just 18 percent of Part B's actual cost.

  - That requires taxpayers — dishwashers and car washers — **to subsidize retired millionaires.** Is this fair? We don't think so and neither does the President.

  - The President's premium proposal would put premiums at $83 per month in 2002 — **less than a $10 difference** from ours.

- Medicare **is not and cannot be used to pay for tax cuts.** Yet, according to the Senate Democrats, our plan "raids Medicare to pay for ... tax breaks for the wealthiest" [Senate Democrat Plan, p. 3].

  - This makes you wonder whether they understand how Medicare works.

  - The trust funds that operate both Part A and Part B of Medicare mean that money not spent must stay in the trust fund; it is unavailable for any other purpose.

- The Part B trust fund also takes in every cent of premium income.

- In addition, *our plan's "lock box" provision — the Nickles amendment that was unanimously adopted — makes sure that the money goes into the Part A trust fund as well.*

- Not only will the direct money from premiums still go to the Part B trust fund, but the savings will be scored and put into the Part A trust fund. It is in effect a two-for-one deal for Medicare.

- This interlocking of existing law with new law protects the trust funds like never before and extends their solvency.

• They claim we are raising the eligibility age to 67 in 2003.

- Again, this is simply **untrue.** We follow the same procedure as will take place with Social Security and was adopted as a bipartisan agreement in 1983.

  — **The retirement age won't reach 67 until 2027** — moving one month per year over the 24-year period.

- This puts these two related programs on an equal footing and it extends the life of the Part A trust fund.

• They claim: "The Budget Resolution that forms the basis of the GOP's plan to cut Medicare was first crafted before the Medicare Trustees' report was even released" [Senate Democrat Plan, p.8].

- This year's budget resolution was passed by Congress on June 29 — almost three months after the Trustees' report.

- And, this is more than a year after the 1994 Trustees' report, which reported serious problems with the Part A trust fund — "and which the Democrats cite on the previous page (p. 7) of their plan."

CREDIBILITY: Their plan is simply not believable — it lacks detail, it fails to disclose the fact that $89 billion won't address the solvency problem for this generation — just delay it — and it does not tell the truth on crucial details.

• Obviously, Senate Democrats have pinned their hopes on gullibility, not credibility. Medicare needs surgery in order to save it — the Trustees reported this, and America knows it. The Senate Democrats refuse to join their Republican colleagues in the operating room and have instead offered a faith healer.

- The Senate Democrats' "plan" is basically a Medicare Liquidation Sale. They are willing to give away the store to demagogue the issue.

- While it is good news that they have finally accepted the Trustees' verdict that there is a problem, they are still unwilling to accept the Trustee's conclusions because they are still unwilling to do what needs to be done.

- They admit that they are still developing a plan.

  - In fact, they are creating a commission to do the work they claim to be doing [Senate Democrat Plan, p. 17].

  - They admit by their $89 billion figure that when and if they do ever present a detailed proposal that it will not be a serious one.

The Senate Democrats' "plan" indicates they have no intention of unlacing their dancing shoes. However, Democrats should remember they are not dancing solo. There are more than 30 million Medicare beneficiares who are supposed to be our partners. They expect us to lead on this issue, not to be left like wallflowers while Senate Democrats give them the old soft shoe but leave seniors to pay the band.

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